

**REVIEW OF THE PROPERTY ASSETS  
TRACKING SYSTEM IN THE  
CINCINNATI SERVICE CENTER,  
COVINGTON HOST SITE**

**Reference No. 190200    November 13, 1998**

**Review of the Property Assets Tracking System at the  
Cincinnati Service Center, Covington Host Site**

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## **Executive Summary**

This report presents the results of our analyses of the effectiveness of local efforts to ensure that the Property Assets Tracking System (PATS) accurately accounts for owned and leased property (non-ADP). The scope of the audit was limited to an assessment on the accuracy of information on the PATS database at the time we conducted our tests and did not include an evaluation of the internal control processes used to establish, maintain, and purge records from the system. Audit fieldwork was conducted in September and October 1998 and followed generally accepted government auditing standards.

PATS is an inventory control system for non-ADP personal property. The local PATS subsystem is comprised of three basic elements: barcode labels, laser scanners, and personal computers. These components are connected by a communication link and software package that allows data collected during inventory to be summarized and “uploaded” to computers containing the main PATS database.

The Chief, Covington Host Site requested the audit because a recent Federal Manager’s Financial Integrity Act (FMFIA) review validated the accuracy of only 46% of the PATS records on the Covington Host Site database. In response to this finding, Facilities Management Branch (FMB) personnel initiated an action plan to correct the deficiencies.

## **Results**

The condition of the local PATS database inventory significantly improved since the FMFIA review. Our audit, which was conducted after the FMB action plan was executed, determined that 89% of the records sampled were located and properly accounted for on PATS. In addition, we determined that 86% of a selected sample of serialized assets was correctly recorded on the database. While the condition of the PATS database has improved substantially, we noted that our results were slightly less than the Support Services goal of 90%. Furthermore, we did not project our results to the population since our validation rate was less than the expected 98% “rate of occurrence”.

The audit identified an uploading problem where data entered on FMB laptops did not always upload complete information to the PATS database. If the problem had not occurred, then 93% of the sampled inventory would have been validated. FMB personnel could not determine the cause of the problem as laptop records showed that FMB had correctly entered the data during the execution of their action plan. FMB personnel initiated a memorandum to the National Office to inform them of the uploading problem.

Because management has taken action on the possible systemic problem, we did not request a response to this report.

## **Objective and Scope**

The purpose of this report is to provide an assessment of the effectiveness of local efforts to ensure that the Property Assets Tracking System (PATS) accurately accounted for owned and leased property (non-ADP). Our audit did not include an evaluation of the internal control processes used to establish, maintain, and purge records from PATS.

We initiated the review at the request of the Chief, Covington Host Site, to Internal Audit. His concern dealt with the accuracy of the PATS inventory records. Audit work was performed in September and October 1998 at six Cincinnati Service Center buildings located in Northern Kentucky and was conducted in accordance with generally accepted government auditing standards.

The overall objective was to evaluate the effectiveness of local efforts to ensure that the PATS system accurately accounted for personal property. To accomplish the objective, we:

*We tested whether the PATS records accounted for 175 items of sampled inventory.*

- selected a random sample of 117 listed items to physically verify that the PATS records correctly accounted for the personal property (Sample size was based on a 98% rate of occurrence for a population under 950 items to achieve a 90% confidence level with a precision of plus or minus 2%.);
- selected a judgmental sample of 58 serialized items to verify that the items were correctly recorded on the PATS system; and
- discussed the results with Support Services personnel.

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### Background

*In August 1998, a Federal Manager's Financial Integrity Act (FMFIA) review validated that only 46 % of 376 sampled items were correctly inventoried on the local PATS database.*

The Federal Property Management regulations specify that each agency shall establish and maintain control of personal property inventories to avoid waste, fraud and abuse. The Property Assets Tracking System has been established to enable effective management of the Service's personal property resources.

The PATS system provides an inventory of non-ADP personal property so as to maintain records and to generate reports covering this property. The system will provide property management personnel with information to comply with regulations and will track the complete "life-cycle" of property assets.

*In response, Facilities Management Branch (FMB) personnel initiated an action plan to correct deficiencies in the local PATS database.*

The local PATS subsystem is comprised of three basic elements: barcode labels, laser scanners, and personal computers. These elements are connected by a communications link and software package that allows data collected during inventory to be summarized and "uploaded" to the computers. In March 1998, the Servicewide non-ADP threshold for recording items in inventory changed to \$300 for serialized items and \$5,000 for non-serialized items.

*The Chief, Covington Host Site, requested that Internal Audit verify the accuracy of the PATS inventory records.*

A recent FMFIA review found several types of discrepancies in the PATS system maintained by the Covington Host Site. Error conditions involved (1) items found but not listed on the PATS database, (2) items not found but listed on the database, (3) items found in different locations, (4) items found in different organizations, and (5) items incorrectly valued on the database.

### Results

Our review determined that the condition of the local PATS database inventory had significantly improved since the FMFIA review that validated only 46% of the database items as being correct. Our validation of PATS records found that for 104 of the 117 (89%) records

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sampled, we were able to locate and properly account for the items on PATS. In addition, we determined that 50 of 58 (86%) selected serialized items were correctly recorded on the PATS system. Since our validation rate was less than the expected 98% “rate of occurrence,” we did not project these results to the population. We will discuss these samples in more detail later in the report.

The improvement was directly attributable to the implementation of corrective actions taken in response to the FMFIA review. While efforts have resulted in substantial improvement to the accuracy of the PATS database, the correction of a potential systemic problem associated with uploading of data from laptop computers to the main PATS database could result in further improvements.

*If the uploading problem had not occurred, then 93 % of the sampled inventory may have been validated.*

Our review identified an uploading problem where data entered on the Support Services laptop did not upload to the PATS database maintained by the Covington Host Site. The uploading problem adversely affected the validation of eight property records from our samples of 117 PATS records and 58 serialized items.

Support Services personnel at the Covington Host Site could not determine the cause of the problem. During their inventory, they had correctly listed the data on the laptop. Prior to the Internal Audit review, the Support Services staff uploaded the laptop data to the PATS inventory records and then printed the inventory listings for the Internal Audit verification. For some unknown reason, not all of the data corrections uploaded to the PATS database. FMB personnel initiated a memorandum to the National Office to inform them of the uploading problem.

The following provides more detailed information on the results of our review.

- Most of the 117 randomly selected PATS records were located and properly accounted for on the PATS database.
- Most of the 58 serialized items were correctly recorded on the PATS system.

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**Most of the 117 randomly selected PATS  
records were located and properly accounted  
for on the PATS database.**

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*We verified the existence of  
99% of the randomly selected  
items.*

We located and verified the existence of 116 items from the 117 records (99%) selected from the PATS database.

We did not locate one item – a Mitsubishi Video Monitor. The Support Services staff determined that the item belonged on INOMS (Integrated Network Management System) since the monitor was part of a teleconference system maintained by the Information Systems.

*In addition, 89 % of the  
random sample was validated  
to being correctly inventoried  
onto the database.*

On the 116 items that we located, we verified whether the asset type, identification, condition code, location, organization, and barcode labels were accurately recorded on the PATS system. We concluded that records were correct for 104 of the 117 property assets in our sample. We also noted 13 error conditions: four procedural errors, six human errors, and three uploading problems.

Of the four procedural errors, three items had listed costs below the \$300 and \$5,000 PATS thresholds. The Support Services Specialist said that they had reviewed the database to remove all “below threshold” inventory and that they had no explanation why these items were still on the PATS inventory.

The other procedural error was listing the video monitor, an INOMS asset, on the PATS inventory. Since this item was not located, we could not conduct a validation of related data entries.

The six human errors were the result of records not being correctly input to the system. Specifically, the errors included three erroneous serial numbers, two incorrect organization assignments, and one wrong asset code.

For example, a foot-operated box stapler was listed as JK model B with no serial number. However, the item was, in fact, a Container Stapling Corporation model CS-9 with a serial number 97649A. The error occurred

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*Uploading problems impacted the validation of data on three items.*

because the identification plate appeared blank unless held so that the light would cast a shadow on the inscriptions making them barely visible.

The remaining three error conditions involved the problem with uploading information from laptop computers to the PATS database. In these instances, the data on the laptop used to validate the inventory records did not upload to the main PATS inventory. For example, a Pitney Bowes model LE mail opener had a default value of \$350 listed on the PATS inventory records but had the correct \$900 default value recorded on the laptop computer.

In addition, we noted that 11 of the 117 records had duplicate listings for the property items. In responding to the FMFIA review, Support Service personnel reinstated dropped inventory and created duplicate records in the process. This could indicate a significant overstatement of inventory, which may adversely impact on the PATS inventory accounts. Support Services advised that they would remove all duplicates.

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### **Most of the 58 serialized items were correctly recorded on the PATS system.**

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*We determined that 98 % of the judgmentally sampled items were recorded on the PATS inventory.*

We identified property records on the PATS inventory lists for 57 of the 58 sampled property items. The PATS listing did not account for an electronic mail scale located in Receipt & Control. However, we noted that an inventory record for this property item was on the laptop.

The Support Services staff could not explain why the record did not upload to the main PATS inventory.

*In addition, 86 % of the judgmental sample was validated to being correctly inventoried onto the database.*

Besides ensuring that items were controlled on the PATS inventory, we verified whether the items were reported at the locations where found, that the items were reported in the organizations where found, and that the PATS data accurately identified the sampled items.



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*Uploading problems impacted on the validation of data on five items.*

Among the 58 sampled items, we determined that 50 could be correctly validated to the PATS database. Of the eight that could not be correctly validated, three were recordation errors, two items had erroneous serial numbers recorded, and one item had the wrong default cost recorded. For example, a Diebold safe had a listed default cost of \$1,000 instead \$3,500.

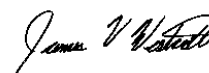
We also noted that inventory data for the remaining five items was correctly listed on the laptop but did not agree with the data on the PATS inventory lists. For example, besides the electronic mail scale, the asset types and default costs on four other items had been corrected on the laptop records but had not uploaded to the PATS database of inventory records.

### Conclusion

*Auditors were able to locate approximately 99 % of the sampled inventory.*

Local efforts were effective to ensure that the PATS system accurately accounted for owned/leased property (non-ADP). In almost all instances, auditors were able to verify the existence of assets recorded on the PATS system. In addition, information on most of the equipment was accurately updated by Support Services staff.

However, a systemic problem may exist because the inventory corrections made on the Support Services laptop computers did not upload to the main database for the PATS inventory maintained for the service center.



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**Attachment I**

**Detailed Objective and Scope of Review**

The overall objective of our review was to evaluate the effectiveness of local efforts to ensure that the PATS system accurately accounted for owned and leased property (non-ADP). To accomplish this overall objective, we conducted the following tests.

- I. Physically verified whether the PATS records for a random sample of 117 listed items correctly accounted for the items sampled and discussed our concerns with managers.
  - A. Verified that the asset type, condition code, location code, and identification were validated.
  - B. Checked that the items were at the designated locations.
  - C. Checked that the items were located in the designated organizations.
  - D. Verified that the PATS data matched the item control labels.
  - E. Checked that barcode labels were not peeled or mutilated.
  - F. Ensured that the PATS data accurately identified the sampled items.
- II. Physically selected a judgmental sample of 58 serialized items such as typewriters to verify whether items were correctly recorded on the PATS system and discussed our concerns with managers.
  - A. Ensured that items were controlled on the PATS system.
  - B. Checked that the items were reported at the locations where found.
  - C. Checked that the items were reported in the organizations where found.
  - D. Checked that the item parameters matched the PATS records.
  - E. Ensured that the PATS data accurately identified the sampled items.